



STATE BOARD OF LAND COMMISSIONERS

Philip E. Batt, Governor and President of the Board
Pete T. Cenarrusa, Secretary of State
Alan G. Lance, Attorney General
J. D. Williams, State Controller
Anne C. Fox, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

MINUTES REGULAR LAND BOARD MEETING July 7, 1998 9:00 AM

The regular meeting of the Idaho State Board of Land Commissioners was held on July 7, 1998, in Boise, Idaho. The Honorable Philip E. Batt presided. The following members were present.

Honorable Secretary of State Pete T. Cenarrusa
Honorable Attorney General Alan G. Lance
Honorable State Controller J.D. Williams
Honorable Superintendent of Public Instruction Anne C. Fox

Secretary to the Board Stanley F. Hamilton

CONSENT AGENDA

The following Consent Agenda was approved in its entirety upon a motion by Attorney General Al Lance and seconded by Secretary of State Pete Cenarrusa. The motion carried on a vote of 5-0.

1. This agenda item requested approval of official transactions as follows:

Bureau of Range Management and Surface Leasing for Cropland, Grazing, Cottage Site, Miscellaneous, and Submerged Land Leases for the month of May 1998
Bureau of Real Estate, Easement Section for April, 1998
Bureau of Real Estate, Easement Section for May, 1998
Timber Sale Transactions for the period May 23, 1998, through June 18, 1998
Bureau of Real Estate, Land Sale Section for May, 1998
Bureau of Minerals for May, 1998
Bureau of Range Management and Surface Leasing for Cropland, Grazing, Cottage Site, Miscellaneous, and Submerged Land Leases for the month of June 1998

2. This agenda item presented applications for addition to the qualified bidders list, timber sales as follows:

Caribou Creek Log Homes, Inc.
Highway 95 North
HCR 85 Box 3
Bonners Ferry, ID 83805

George Hensley Logging
6479 Mt. Carrol Street
Dalton Gardens, ID 83815

Gene Young Logging
20 W. Mullan
Kellogg, ID 83837

3. This agenda item requested approval of timber sales as follows:

A. Lost Creek	CR-2-0196	3,000 MBF	
B. Slim Creek	CR-3-0414	4,975 MBF	
C. Daveggio II OSR	CR-3-0437	3,690 MBF	
D. West Ford Creek	CR-4-0589	4,365 MBF	
E. Long Aldermand	CR-4-0662	4,190 MBF	
F. Backside Angel	CR-4-0667	850 MBF	
G. Backside Pole	CR-4-0680	500 MBF	145,650 LF

4. This agenda item requested approval of the following Land Board Minutes:

Special Land Board Meeting - WestRock Project Briefing – March 20, 1998
Regular Land Board Meeting – March 27, 1998
Grazing & Cropland Subleasing Subcommittee Meeting – April 1, 1998
Special Land Board Meeting – April 6, 1998
Regular Land Board Meeting – April 10, 1998

REGULAR AGENDA

5. Director's Report

Director Hamilton presented the monthly Director's report as follows:

- A. Summary of the fiscal 1998 year-to-date Principal Fund Balances and Revenue Composition.
- B. Idaho Department of Lands contribution impact to the permanent endowment.
- C. FY 1998 Income Fund Trends.

6. Request from Department of Administration to transfer title to Courthouse to State of Idaho
Presented by Pam Ahrens, Director, Department of Administration

Pam Ahrens, Director, Department of Administration provided the background information. This issue is a request for approval to transfer title to the old Ada County Courthouse property from the Idaho State Building Authority to the State of Idaho.

It was proposed that the Land Commissioners acquire on or about the August 31, 1998 closing, in the name of the State, the Property from the Authority, in consideration of an indemnification of the Authority, acceptable to the Land Commissioners. That the Land Commissioners consent to management of the Property by the Department of Administration (DOA) and that the Land Commissioners recognize that the current best use of the Property included the continued occupancy of the Property by Ada County through March of 2001 by a lease between Ada County and the DOA. The State Building Authority did approve this acquisition at their May 19, 1998 meeting.

Motion was made by Superintendent Anne Fox and seconded by Attorney General Al Lance to accept the recommendation of the department.

Attorney General Al Lance stated that the Board approve the acquisition by the State of Idaho of the Ada County Courthouse from Ada County through the Idaho State Building Authority on the terms and conditions set forth in the briefing papers provided by the Department of Lands staff to the Board and that the Board authorize the Department of Administration to negotiate and finalize all documentation with Ada County, the Idaho State Building Authority and the State of Idaho Department of Lands for closing the acquisition transaction. He emphasized that this acquisition is accepted by the Land Board on behalf of the State of Idaho and not in the Board's role as trustee for the endowments. Any liability arising out of the indemnity agreement, which this Board will sign on behalf of the State of Idaho, will be solely that of the State of Idaho and will not be a liability of the endowments or the Idaho Department of Lands.

Motion carried on a vote of 5-0.

7. Request to enter into commercial lease with Department of Labor – Deinhard 80, McCall, Idaho
Presented by Alvin Carr, Commercial and Recreational Leasing Specialist

At the request of the Department of Labor, this agenda item was withdrawn.

8. 1997 Grazing Lease Conflict

- Soulen Livestock, current lessee (Boulder Creek Block), Frank Loomis, conflictor, IWP-Payette Forest Watch, conflictor
- Ted Gammett, current lessee (Marsing Block), Frank Shirts, conflictor, Larry Flynn, conflictor

Presented by Tracy Behrens, Range Management Specialist

Director Hamilton stated that this agenda item is a review of applications that were submitted on 1997 expiring grazing leases involving Soulen Livestock Company and Ted Gammett. They were held over until this time. Tracy Behrens provided the background information. Director Hamilton requested motions separately on each action item.

ACTION ITEM I

Grazing lease G-5687 –

Mr. Behrens informed the Board that there was one state section under consideration that is within the Forest Service allotment. That section is in a pending land exchange with the Forest Service. The applicants have signed an addendum acknowledging the fact. The pending trade has progressed smoothly and it is anticipated it will be before the Board for final approval in August or September of this year.

The department recommends that the Board accept for processing the applications filed for in G-5687 with the exception of the lands in Section 36, Township 18N, Range 4W, which are included in the pending land exchange. The department is proposing that this be withdrawn from consideration pending the completion of the exchange.

The department recommended qualifying both Soulen Livestock Company, current lessee and conflict applicant Frank Loomis. The department recommended that Idaho Watersheds Project/Payette Forest Watch Inc. not be qualified based on an unacceptable proposal which does not reflect a serious intent to manage the state land for livestock use and does not provide any real opportunity to manage the vegetation on the parcel to achieve desired plant communities. The proposal also does not provide the opportunity to decrease fire risk through removal of fine fuels.

The department recommended the scheduling of an auction between the recommended qualified applicants for lease G-5687 to determine who will pay the highest premium bid.

Motion was made by Attorney General Al Lance and seconded by Superintendent Anne Fox to accept the recommendation of the department. The motion carried on a vote of 5-0.

ACTION ITEM II

Grazing lease G-6257 –

Mr. Behrens stated this is consideration of application submitted for expiring lease G-6257. Three lease applications were submitted. They were current lessee, Ted Gammett and two conflictors, Larry Flynn and Frank Shirts. The department recommended that the Board accept for processing, the lessee and conflictor applications filed on G-6257. The state lands covered by this lease are all classified as grazing management, general management zone range grazing. The department recommended qualifying Ted Gammett, current lessee and Larry Flynn and Frank Shirts, conflict applicants.

The conflict applicants have both signed statements indicating that they will follow the existing management plan for the subject state land and that they agree to graze the state land during the identified grazing season of January through March.

The department recommended the scheduling of an auction between the recommended qualified applicants for lease G-6257 to determine who will pay the highest premium bid.

Mr. Gammett was present and addressed the Board regarding the condition of the property when he first got the lease and the work it has taken over the years to improve it. He provided supporting information to retain his expiring lease. He stressed that without this lease, his whole ranch operation would be affected.

Motion was made by Attorney General Al Lance and seconded by State Controller J.D. Williams to accept the recommendation of the department. The motion carried on a vote of 5-0.

9. Audience with the Board – Sawtooth Farms, Inc.

Lieutenant Governor Butch Otter presented background information on Sawtooth Farms, Inc. He introduced Mr. Ron Achs who was the spokesperson for the presentation provided by Sawtooth Farms for the Land Board.

Mr. Achs stated that Sawtooth Farms, Inc. is a fully integrated agribusiness development, which includes swine, beef, feed, research etc. It goes from research and is fully integrated insofar as it goes from research, genetic, animal nutrition, and disease control – all the way through the process to delivery of packaged product to the dinner table. A specific company facilitates each segment of the integration.

Attorney General Lance asked what the group was requesting from the Land Board. Lt. Governor Butch Otter stated that they were asking for an RFP that says to go ahead and bring back a proposal to the Land Board. He stated that he had done all he could to assist the group and now they need to work out a lease agreement that is compatible with and complimentary to the present leaseholders.

After the presentation, Mr. Achs made a formal request to the Land Board to approve beginning work on an RFP that would permit Sawtooth Farms, Inc. to seek leases on approximately 4,700 acres of state land in Owyhee County in order for this project to go forward.

Attorney General Al Lance moved that the Department of Lands be instructed to proceed with developing a request for proposal in conjunction with the Sawtooth Farms, Inc. project. Secretary of State Cenarrusa seconded the motion. The motion carried on a vote of 5-0.

10. Request for authorization to proceed with Plum Creek/State of Idaho land exchange
Presented by Perry Whittaker, Chief, Bureau of Real Estate

Director Hamilton stated that this is a request for authorization to proceed with the development of the Boulder/Mica land exchange with Plum Creek Timber Company. Perry Whittaker presented the background information.

Mr. Whittaker stated that this is a request for conceptual approval to proceed with a land exchange that the St. Joe supervisory office in St. Maries has proposed with Plum Creek Timber Company. Plum Creek lands consist of 1,278.65 acres in three (3) parcels and up to 240 additional acres if needed for balancing the exchange. This is productive timberland and the terrain is mountainous.

The state parcels are more isolated and consist of 800 acres. An additional 160 acres has been identified if needed to balance out the exchange values. They are higher elevation properties and the growing sites are inferior to the property we are trying to acquire. The department is interested in this area and would like to acquire more properties in this area.

Department staff recommended Land Board approval to initiate this exchange proposal with Plum Creek Timber Company.

The motion was made by Secretary of State Cenarrusa and seconded by Attorney General Lance. The motion carried on a vote of 5-0.

11. Request for approval to survey and appraise small parcel of Endowment land in Adams County for sale
Presented by Perry Whittaker, Chief, Bureau of Real Estate

Perry Whittaker presented the background information. The Payette Lakes supervisory area became aware of house encroachment on endowment land in the Pinehurst area, south of Riggins when they were surveying property boundaries in 1995. Jack Wolford, an adjoining landowner had purchased a house in that area in 1989 and was not aware that a portion of the home was on state endowment land.

The department recommended Land Board approval to survey and appraise for sale a 0.13 acre parcel of state land lying within parts of the NE1/4NE1/4SE1/4SE1/4 Section 16, Township 22 North, Range 1 East, B.M., in Adams County. Mr. and Mrs. Wolford are trying to sell their home and this cannot be accomplished until the trespass is resolved.

Director Hamilton stated that the department would like access across Mr. Wolford's property and Ms. Salas property to be able to access additional state land. Mr. Wolford is willing, however, Ms. Salas is unwilling to give the state an easement at this time.

Attorney General Lance said that at least having administrative easement across Mr. Wolford's currently deeded land in exchange for the 0.13 acre parcel would solve half of the problem for the state.

Motion was made by State Controller Williams to proceed with an exchange for access easement across Mr. Wolford's property to be exchanged for the 0.13-acre parcel of trespass property. Attorney General Lance seconded the motion. Motion carried on a vote of 5-0.

12. Contux Creek Extension – Croman Corporation

Presented by Winson Wiggins, Assistant Director, Forestry and Fire

Winston Wiggins presented the background information. This is a request for a right-of-way extension to allow Croman Corporation to remove their remaining logs from the Contux Creek timber sale in the South Fork of the Salmon River drainage.

The department negotiated with the Forest Service, the Fish and Wildlife Service and the National Marines Fisheries Service (NMFS), a Memorandum of Agreement. The agreement provided that the two regulatory agencies would issue favorable biological opinions and the Forest Service would grant a right-of-way extension that would be of sufficient length to allow Croman Corporation to remove the logs. The final party signed that agreement in April at which time the matter was turned over to the department field staff.

By early May, the right-of-way had not been issued. The NMFS was raising issues that had supposedly had been resolved and certainly had been answered during the negotiation process. Mr. Wiggins stated he had been told that NMFS has issued a biological opinion. He was also told by the Forest Service that their initial read of the biological opinion was that it included provisions and conditions that would likely be unacceptable to the Forest Service and also be unacceptable to the Department of Lands.

The department recommended that Croman Corporation is granted a one-year extension and that the stumpage interest for that year be waived. This is no fault of Croman Corporation because they have not had access to this sale and will not have access at least until mid-August

Attorney General Lance said that Croman Corporation has been very patient. He suggested that legal staff take a look at this belated opinion, confer with the Board to see whether or not there is a tenable cause of action for a lawsuit. If not, possibly a very strong letter signed by the

members of the Board could be sent objecting to the treatment that we have received at the hands of the federal government.

Motion was made by Attorney General Al Lance and seconded by Secretary of State Pete Cenarrusa to accept the recommendation of the department. Motion carried on a vote of 5-0.

Mr. Bill Bachman of Croman Corporation thanked the Board for their extension. He stressed that this is a critical issue for the State of Idaho. Superintendent Fox asked what the financial loss has been to the public schools. Mr. Bachman stated that right now, the timber sale represents something in excess of half a million dollars to the state endowment.

Superintendent Fox stated that many of our rural communities who were receiving the timber funds from the federal government have had a significant decrease in the past few years. This has really impacted those communities. She stated that this is another example of hurting the public schools. She suggested that this be implemented in letter.

Director Hamilton stated that he felt we had been very patient and tried to build a case and work with the National Marine Fisheries Service. He said there were several other states that were interested in this and how it works out.

Greg Peake with Helen Chenoweth's office in Washington stated that Rep. Chenoweth has followed this case very closely and considers it a state's rights case. She sees this as a state's rights issue because the road was already open and the permits were already there. Unfortunately the road was washed out. She has encouraged Idaho County to fulfill the RS-2477 right-of-way. It is unclear whether that's been finished but if that has happened, she does view this as the federal government having very little interest in providing the permits. She is asking, "If not Idaho on this sort of test case, then who?"

13. Director's Salary FY-99

INFORMATION AGENDA

The Information agenda was done prior to agenda item #13 (Director's Salary)

Director Hamilton briefly covered the Information Agenda items prior to resolving into Executive Session.

14. Interest rate update
15. Triumph Mine update
16. FY98 Land Exchange Status
17. 06/06/98 letter from JFAC re: omitting Land Improvement Fund reimbursement request from the FY2000 budget

18. WestRock, Inc. update

There was a brief discussion on the WestRock project. The department will schedule a public hearing. After the public hearing, the WestRock project will be placed on the agenda for Land Board consideration.

Director Hamilton reminded the Land Board of the July 21, 1998 meeting, at which time the Federal Lands Task Force will present their final report to the Land Board. It will be held from 10:00 a.m. – noon in the west conference room of the Joe R. Williams building.

At 11:57, a motion was made by Superintendent Anne Fox and seconded by Attorney General Al Lance to resolve into executive session to discuss agenda item #13 – Director's Salary.

The Land Board returned to regular session at 12:35.

Motion was made by State Controller Williams and seconded by Superintendent Anne Fox to increase the Director's salary. Motion was carried on a vote of 5-0.

There being no further business to be brought before the board, the meeting adjourned at 12:45 p.m.

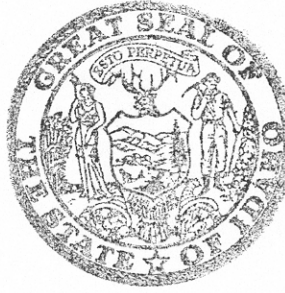
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President, State Board of Land Commissioners and
Governor of the State of Idaho

Pete T. Cenarrusa
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Pete T. Cenarrusa
Secretary of State



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Director